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August 24, 2011

VIA ELECTRONIC FILING

Jocelyn Boyd, Esquire
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

RE: Application of Carolina Water Service, Inc. for adjustment of Rates and
Charges and Modification of Certain Terms and Conditions for the Provision
of Water and Sewer Service
DOCKET NO.: 2011-47-WS

Dear Ms. Boyd:

Enclosed please find the prefiled **Rebuttal Testimony of Steven Lubertoizzi and Kirsten Weeks** filed on behalf of Carolina Water Service, Inc. in the above referenced docket. By copy of this letter, I am serving all parties of record.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.



Scott Elliott

SE/mlw

Enclosures

cc: Parties of Record w/enc.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2011-47-WS

IN RE: Application of Carolina Water Service,)	REBUTTAL TESTIMONY
Incorporated for Approval of an Increase)	
In its Rates for Water and Sewer Services)	OF
Provided to All of Its Service Areas in)	
South Carolina)	STEVEN LUBERTOZZI
_____)	

1 **Q. ARE YOU THE SAME STEVEN LUBERTOZZI THAT HAS PREFILED**
2 **DIRECT TESTIMONY IN THIS CASE?**

3 **A. Yes, I am.**

4

5 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

6 **A. The purpose of my rebuttal testimony is to respond on behalf of Carolina**
7 **Water Service, Inc., to certain aspects of the testimony and exhibits which have been**
8 **pre-filed by the Office of Regulatory Staff, (“ORS”).**

9

10 **Q. MR. LUBERTOZZI HAVE YOU REVIEWED THE PRE-FILED TESTIMONY**
11 **ON BEHALF OF ORS AND MIDLANDS UTILITY, INC. IN THIS MATTER?**

12 **A. Yes, I have reviewed all of the testimony and the Audit Department Report.**

1 **Q. PLEASE DESCRIBE THE ADJUSTMENTS OR TESTIMONY THAT YOU**
2 **WILL BE ADDRESSING.**

3 A. I will be addressing non-revenue water, rate case expense, CC&B, and
4 Midlands Utility, Inc.
5

6 **Q. WOULD YOU PLEASE DISCUSS THE FIRST ORS ADJUSTMENT WITH**
7 **WHICH YOU DISAGREE?**

8 A. Yes. ORS witness Dawn Hipp recommends a revision to the pass through
9 language of Carolina Water's rate schedule (Carolina Water application exhibit A). In
10 particular, Ms. Hipp recommends that Carolina Water treat unaccounted for water and
11 increased wastewater treatment expense due to I&I as a cost of service. First, Ms.
12 Hipp's proposed language at P. 10 l 11 – P. 11 l. 2 of her testimony does not appear to
13 meet Ms. Hipp's objective, and the concept Ms. Hipp proposes is draconian under the
14 circumstances. Instead, Carolina Water would propose a more appropriate method of
15 addressing non-revenue water. Carolina Water witness Flynn addresses non-revenue
16 water and provides his expert opinion as to the appropriate level of non-revenue water
17 and recommended a methodology that would allow Carolina Water Service to charge
18 all affected customers, except those customers located in the River Hills service
19 territory, 115% of the effective price per thousand gallons. If Carolina Water Service
20 were to charge all of the affected customers 115% of the effective price per thousand
21 gallons Carolina Water would not recover all costs related to purchased water due to
22 possibility of non-revenue water being above 115% and that some water providers
23 charge a base fee on top of the gallonage rate.

1 **Q. WHAT IS THE AMOUNT OF EXPENSE THAT WOULD NOT BE**
2 **RECOVERED IF THE COMMISSION APPROVES THE 115%, CONSISTENT**
3 **WITH MR. FLYNN'S TESTIMONY?**

4 A. I analyzed the test year and determined that the Company would not recover
5 \$64,010.
6

7 **Q. WHAT IS YOUR RECOMMENDATION AS IT PERTAINS TO THE \$64,010?**

8 A. Consistent with ORS' testimony I recommend that the \$64,010 be included as
9 a cost of service.
10

11 **Q. WOULD YOU PLEASE DISCUSS THE SECOND ORS ADJUSTMENT WITH**
12 **WHICH YOU DISAGREE?**

13 A. Yes, it is Adjustment Number 11 – Regulatory Commission Expense. ORS's
14 adjustment does not include all of the costs through July 2011 and does not include the
15 costs necessary to resolve this rate proceeding. There should be no argument that the
16 Company has incurred or will incur additional costs to resolve this case. The
17 Commission should allow the full amount incurred to prepare for this rate case and
18 this hearing and allow estimated costs to be included in the rate case expense, or in the
19 alternative, allow the actual costs incurred through the hearing date to be included for
20 ratemaking purposes, as it has done in past proceedings.
21

22 **Q. WHAT IS THE FULL AMOUNT OF RATE CASE EXPENSE INCURRED,**
23 **INCLUDING AN ESTIMATE TO COMPLETE?**

1 **A.** Since starting preparation of this case and including an estimate to bring this
2 case to conclusion Carolina Water will have incurred a total of \$406,351.85, which
3 should be allowed in this case and amortized over three years. Over 50% of this
4 amount is “Cap time”, or Carolina Water staff time spent preparing the case,
5 responding to data requests, and preparing testimony. Other costs include legal and
6 consulting fees, expert witness fees, publishing costs, miscellaneous services, as well
7 as mailing and supplies. Carolina Water will provide the ORS with the necessary
8 documentation of these expenses at or near the time of the hearing in this matter
9 scheduled for September 7, 2011.

10
11 **Q. WOULD YOU PLEASE DISCUSS THE NEXT ORS ADJUSTMENT WITH**
12 **WHICH YOU DISAGREE?**

13 **A.** I disagree with ORS’ adjustment to remove a portion of CC&B because of
14 certain perceived problems with CC&B. The CC&B system does provide timely and
15 accurate bills a fact that will be addressed further in Carolina Water witness Sasic’s
16 testimony. Notwithstanding the fact that the CC&B system is working, the ORS
17 proposes to remove 74.65% of the initial cost CC&B from Carolina Water’s rate base;
18 (testimony of Hipp P. 8, 1 6-23). By modifying Carolina Water’s rates to allow it to
19 recover part of its unaccounted for water, Carolina Water will no longer be required to
20 perform monthly manual calculation and manual inputs for CC&B to generate a water
21 distribution and/or wastewater collection customer invoice. The manual inputs and the
22 delay in receiving vendors’ invoice is one of the main reasons for the problems (timely
23 and accurate bills) cited by ORS witness Hipp. Therefore, if those manual processes

1 are eliminated it would not make sense to punish the company by removing a portion
2 of CC&B. CC&B is currently in service and is providing a benefit to all customers
3 and a portion of it should not be eliminated for ratemaking purposes. In addition,
4 CC&B's has more functionality than just sending bills to customers.
5

6 **Q. WHY IS THAT IMPORTANT AND WHAT OTHER FUNCTIONALITY DOES**
7 **CC&B PROVIDE?**

8 **A.** ORS' proposed adjustment, which on based on the number of purchased
9 service customers to total customers would have the Commission believe that every
10 purchased service bill was either inaccurate and/or not timely and this is not the case.
11 Furthermore, the CC&B system allows for total interaction with JDE, allows billing
12 data to be converted to financial statement data, and transfers customer count data to
13 JDE for proper allocation of expenses. However, based on ORS' stated reduction to
14 CC&B, ORS is in effect removing all aspect of CC&B and ignoring the fact that the
15 proposed adjustment to the billing language would eliminate the problems that were
16 discussed in Ms. Hipp's testimony is inappropriate.
17

18 **Q. WHY WOULD YOU CONCLUDE THAT THIS IS INNAPROPIRATE?**

19 **A.** ORS concludes that the problem is due to the manual processes that are needed
20 to comply with the Company existing rate schedule language, which were not
21 challenged in the Company's last rate case, and to fix these problems on a go forward
22 basis Carolina Water Service should eliminate five words from it rates schedule.
23 However, on a go forward basis, presumably until Carolina Water Service's next rate

1 case, ORS wants to punish Carolina Water Service by reducing rate base for an asset
2 that is functioning and providing a benefit and a service to existing customers.

3
4 **Q. WHAT IS YOUR RECOMMENDATION AS IT PERTAINS TO CC&B?**

5 **A.** Carolina Water's proposal to address unaccounted for water will ensure that
6 the manual processes will no longer be needed and CC&B will continue to operate as
7 design and implemented. Therefore, CC&B should be fully included in rate base as
8 shown in Weeks' Exhibits.

9
10 **Q. HAVE YOU REVIEWED THE TESTIMONY PRE-FILED BY MR. PARNELL**
11 **ON BEHALF OF MIDLANDS UTILITY, INC?**

12 **A.** Yes, I have.

13
14 **Q. WHAT PORTION OF MR. PARNELL'S TESTIMONY DO YOU INTEND TO**
15 **ADDRESS?**

16 **A.** I intend to address the portions of his testimony concerning the level of his
17 customers' rates.

18
19 **Q. REGARDING THE COMPANY'S RATE, WHAT IS YOUR RESPONSE TO**
20 **MR. PARNELL'S TESTIMONY?**

21 **A.** On page 3 of 3 at line 41, Mr. Parnell suggests that a fair proposal would be to
22 lower the rates for his customers. However, Mr. Parnell's recommendation is not
23 supported by any analysis nor is it supported by any evidence. Evidence in the record

1 will show that costs have increased since the Company's last rate case, and therefore
2 his proposal should be rejected.

3

4 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

5 **A. Yes, it does.**

2011-47-WS
Rebuttal Testimony
Of
Steven Lubertozi
Exhibit SML No. 1

[a]	[b]	[c]	[d]	[e]	[f]	[g]	[h]
Sub Name	Total Gallons Charged to CWS	Total Charged to CWS (Including Base Facility Charges)	Total Gallons Billed to Customers	Cost Per KGAL	2010 Base Charge	Charge Using 115% Gallons At 2010 Rate	Variance
(1) I-20	172,100,500	\$ 516,301	138,602,526	3.00	-	\$ 478,179	\$ (38,123)
(2) Idlewood	7,030,500	21,092	6,768,592	3.00	-	23,352	2,260
(3) Westside Terrace	2,558,400	5,442	2,638,980	2.15	-	6,525	1,083
(4) Harborside/Watergate	30,869,000	91,353	17,803,609	2.74	-	56,099	(35,254)
(5) Rollingwood	15,284,000	45,867	14,819,235	2.74	-	46,695	829
(6) The Landings	13,028,000	39,127	14,065,793	2.74	-	44,321	5,195
	240,870,400	\$ 719,181	194,698,735		-	\$ 655,171	\$ (64,010)

Notes:

- [a] Subdivision
[b] Total gallons billed to CWS for 12 months ended 12/31/10
[c] Total invoiced to CWS for 12 months ended 12/31/10
[d] Total gallons billed to customers from CWS for 12 months ended 12/31/10
[e] Vendor's rate per KGAL on December 2010 bill
[f] Vendor's annual base facility charge
[g] $(1.15 * d / 1000 * e)$
[h] $g - c$